

Sustainability

2023 - Annual report



ajproducts.com

A first glance

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This is AJ Produkter AB's seventh sustainability report and covers the financial year 2023. The report covers AJ Produkter AB (556190-7329), a wholly-owned subsidiary of AJ Group AB. The sustainability report was compiled in accordance with the regulations in Swedish Annual Accounts Act, chapters 6 and 7.

The board of directors for AJ Produkter AB has also approved the sustainability report when signing the annual and consolidated accounts.

Words from the CEO

After the pandemic, recent years have been marked by the war in Ukraine and tensions in the Middle East. We live in a rapidly-changing and strained world; we must be ready to react accordingly. Despite market turmoil, here at AJ we have been able to maintain strong results and implement a number of forward-looking group initiatives.

As a company, we want to continuously improve and develop our offering to our customers. In a world that is changing rapidly we need to be agile and resilient, investing in the projects we believe are right for the future. Global events and changes can be seen either as a challenge or a catalyst that moves the market in a positive direction. Sustainability is not a trend for us at AJ: it's an inevitable movement that we all have to embrace and work towards to ensure that we have a better tomorrow. We see it as our duty as a company to be a part of this movement and help shape the future of workspaces. We have put sustainable growth at the core of our main strategy and, over the past year, we have kicked off initiatives to help us achieve this goal. Because we control a large part of the value chain for the majority of our product offering, we also have the ability to work on sustainability across many parts of our business: from sourcing all the way to creating workspaces that provide a healthy environment for employees.

In the European market in which AJ operates, the year has been characterized by reduced growth and rising inflation, which has prompted central banks to raise interest rates. Inevitably, economic conditions affect our customers and so we noticed a slowdown in sales towards the end of the year.

I am therefore proud that we have continued to develop and implement important initiatives within the group in 2023 despite tougher market conditions. We have both invested in forward-looking initiatives and successfully reduced our costs, leading to a strong overall result with good profitability. When it comes to digitalization, we have taken several important steps to develop and improve our internal operations to make it easier for our customers to purchase and improve customer experience. In particular, I would like to mention the implementation of our new ERP system in all countries and companies in the group as well as new tools for augmented reality, pricing and sales. We have also completed the acquisition of the Kalvarija factory in Lithuania and successfully incorporated our latest acquisition, DPJ.

When it comes to environmental impact, we have carried out a number of activities and made investments that allow us both to contribute to more sustainable development and meet customers' increasing expectations in this area. We have installed additional solar cells with a peak power of 500 kW on the central warehouse in Halmstad. We have also systematically calculated our climate impact according

to the GHG Protocol, launched the first of our own Environmental Product Declarations (EPDs), presented our circular design principles and implemented the Material Portal, an important tool that will facilitate even more sustainable product development in future.

However, we want to take further steps on the path to sustainability, both because we want to contribute to a better world and because we are convinced that systematic sustainability work is beneficial for business. We have therefore initiated a review of our sustainability work throughout the Group and also created and filled a new position for a Global Head of Sustainability.

I look forward to continuing the journey that we have started towards a more sustainable AJ, one in which every person in the company must get involved in different ways as we develop our systematic sustainability work to contribute to the global sustainability goals while reducing friction for our customers and thereby helping to create happiness at work every day.



ENOCK JOHANSSON
CEO

Highlights of 2023



BOARD DECISION ON A SUSTAINABILITY DIRECTIVE

In December, the board of AJ Produkter Group decided upon a sustainability directive, which will form the starting point and basis for policy documents for our sustainability work going forward. "AJ Produkter Group shall contribute to the UN sustainability goals, and this will strengthen the company brand, increase trust among customers, employees and stakeholders, and generate sales and sustainable growth."

RECERTIFICATION OF MANAGEMENT SYSTEMS

AJ Produkter and all its subsidiaries have been certified according to ISO 9001 and 14001 since 2011. At the end of last year, new internal and external audits were conducted; there were only minor deviations, which have been resolved. Audits for the same management systems, as well as for ISO 45001 and ISO 50001, were also carried out at our factories in Poland and Slovakia with good results, leading to recertification.

CLIMATE CALCULATIONS

In 2022, we started to calculate our Scope 1 & 2 and some of our Scope 3 emissions. In 2023, we covered more categories and also worked to improve the quality of the input data. We now have a better overview of our total emissions, and therefore can use the data to prioritize future improvements.

MATERIAL PORTAL

We introduced the material portal, which is an important tool for us to collect and verify documentation of the materials in our products in a structured way. This will strengthen us in the work with substitution, to track materials and to meet labeling criteria in various standards.

REVIEW OF STEERING DOCUMENTS

Several steering documents have been reviewed to align with international frameworks and customers' demands. The structure and mandates have also been clarified to enhance implementation, compliance and to prepare the organisation towards upcoming legislations.



EPD

We made progress in developing Environmental Product Declarations (EPDs) for products manufactured in our own factories, such as school tables, desk screens and lockers. 15 EPDs were completed. By installing our own tool to perform life cycle analysis and EPDs, we are now able to accelerate our delivery of EPDs for more products in our assortment.

NEW CIRCULAR DESIGN PRINCIPLES

To prepare for more circular solutions, we developed our design strategy to include principles for more sustainable and circular design. The strategy covers areas such as recycled materials, spare parts, traceability and enabling repair and re-use. Several initiatives have started throughout the group to gain insights and trial the new way of working. We also now have more than 3 200 spare parts to prolong the lifecycle of our products.



MORE SOLAR PANELS

Our factories in Poland and Slovakia have reduced their energy consumption, resulting in a 10-20 % reduction in greenhouse gas emissions this year. Solar panels have been installed at the factory in Poland, the head office in Halmstad and at the subsidiary in Lithuania, which significantly reduced purchased electricity at these units.



HEALTH AND SAFETY AWARD

This year our factory in Poland also received an award from the National Labor Inspectorate for being the company to ensure the highest level of health and safety in the country. Going forward more investments will be done to further improve ergonomics, such as robots for unloading heavy products from the production line.



ENVIRONMENTAL AWARD

Stena Recycling recognised AJ Produkter in the category of Environmental Award of the Year. Stena highlighted AJ's work with the calculation of Greenhouse gases, life cycle analyses and its proactive approach to reduce harmful chemicals in products. "The company has made responsible efforts for better waste management.... a focus on designing more circular products with more sustainable raw materials and to prolong the life cycle of the products and not at least to provide spare parts".



IMPROVED HEALTH AND SAFETY

Many activities were implemented in the factories and other parts of the Group with the purpose of improving health, safety and wellbeing. This contributed to the better health and safety performance reported. Sick leave and the number of workplace accidents have decreased and are well below our objectives. We received a national award for the safety work in our Polish factory. The employee survey also shows enhanced results.

AJ Produkter



CAMPAIGN

God save the bottom

"We did it again. We sent a modern office chair to Buckingham Palace for the coronation of the new King of England so that everyone will feel good at work, even royalty."

About us

AJ Produkter is an entrepreneurial company started in 1975. We want to create innovative and smart working environments and solutions for offices, warehouses, industry, schools and public areas. By making sustainability a part of our business, we want to contribute to the global sustainability goals, and at the same time strengthen the company brand, increase trust among stakeholders and improve our business.

VISION

We make it easy to get a better working environment.

MISSION

We are entrepreneurs that create sustainable smart working environments and solutions for offices, warehouses, industries, workshops, schools and public spaces. Our offer is based on sustainability, awareness and personal service at the right quality and price. Delivered with a customer focus in a friendly way.

CORE VALUES

Engaged
Responsive
Knowledgeable
Genuine

Our four core values make up the foundation of who we are and express the way we treat each other internally, externally and in the community. They guide our work and influence our decisions at all organizational levels.

NEW BRAND GUIDELINES

AJ Produkter developed new brand guidelines this year. Coming from a customer-centric way of working, we want to make it easier for everyone to have a better working environment. Our intention is to help create friction free workplaces and, above all, contribute to happiness at work.

THE ORGANIZATION

AJ Produkter is a 100 % family-owned company, with its head office and central warehouse located in Halmstad, Sweden. The company includes 13 subsidiaries located in Europe. AJ Produkter is a part of the group structure of AJ Products Group.

In the AJ Products Group, there is a production company with three factories located in Poland, Slovakia and Lithuania, with the manufacture of office and school furniture, storage cabinets, pallet racks as well as screen walls and sofas.

AJ Produkter and the three factories currently comprise approximately 1 100 employees. In the sustainability report for 2023, we report for AJ Produkter including subsidiaries in AJ Produkter AB and also our three factories. The group structure includes additional companies such as DPJ Holding AB, Cowab AB, its own business premises and companies that own and manage forest, where the investments in the forests are consistently certified according to FSC and PEFC. All companies that are part of the group structure will be included in the sustainability reporting in the future.

49 years in business

13 subsidiaries

3 factories

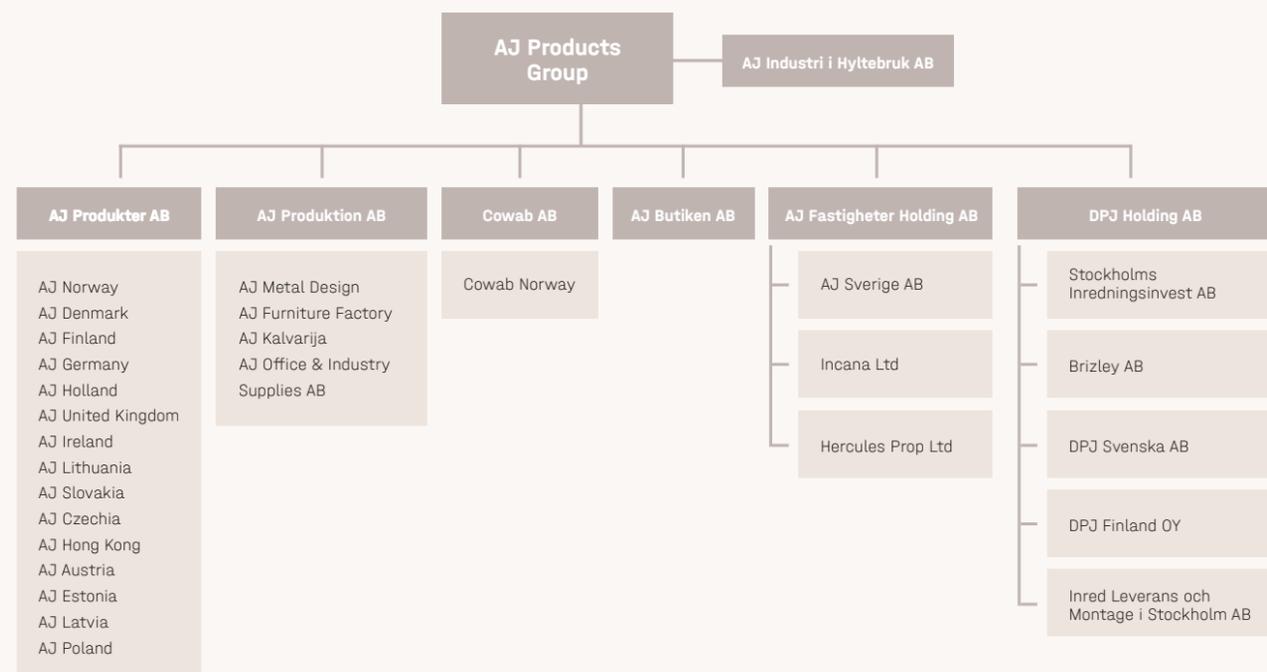
1100 employees

14,200 products in the range

19 countries

540,000 customers throughout Europe

ORGANIZATION



POLAND — AJ FURNITURE FACTORY

The AJ Furniture Factory produces wooden furniture for offices, schools and industrial environments. The factory became a part of the AJ Products Group in 1996 when a small carpentry operation in Slupsk was acquired. The factory has expanded over the years and the company currently has 238 employees. The factory is certified in accordance with FSC Chain of Custody, meaning that we can buy and sell wood products from FSC-certified suppliers.

SLOVAKIA — AJ METAL DESIGN

AJ Metal Design produces metal furniture, such as storage cabinets, school lockers, pallet racks and shelving. The factory started producing products for the AJ Products Group in the 90s and became a part of the Group in 2001. The factory is located in the Hrnčiarovce nad Parnou area and has 240 employees.

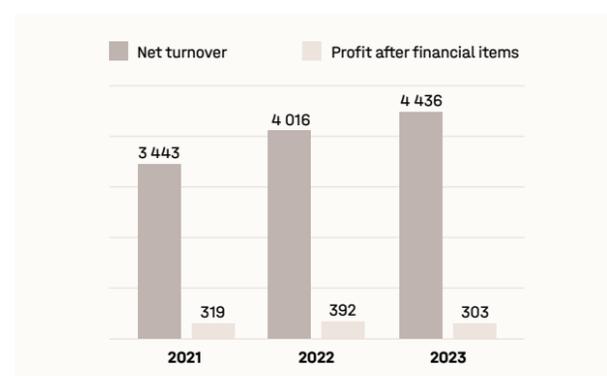
LITHUANIA - AJ KALVARIJA

AJ Kalvarija specialises in the manufacture of textile furniture, such as acoustic screens and sofas. Since 2016, AJ has been a partner in the company, but in 2022 the furniture manufacturing company was acquired and is now a part of the group's production company. The factory is located in the Lithuanian town of Kalvarija, approximately 170 km west of the capital Vilnius, and has 59 employees.

PROFITABLE GROWTH

Sustainable growth creates opportunities to continuously reinvest and develop our business. Being a reliable business partner is important for our major stakeholders, customers, suppliers & employees. In recent years, we have had increased growth overall and have also grown in several of our markets. The result for 2023 corresponds closely to that of the previous years.

The diagram below shows net turnover and profit after financial items in millions of SEK for AJ Products Group.





MATERIALITY ANALYSIS

AJ Produkters' materiality analysis was updated in 2022, which resulted in the prioritization of ten sustainability topics divided into three focus areas. Participants in this analysis were employees from AJ Produkter, its subsidiaries and the factories. A market analysis, risk analysis and a stakeholder dialogue were also carried out to support the materiality analysis with information.

In 2024, a double materiality analysis according to CSRD and ESRS has been carried out, which will include all companies in the group. The new materiality analysis will form the basis of future governance and reporting.

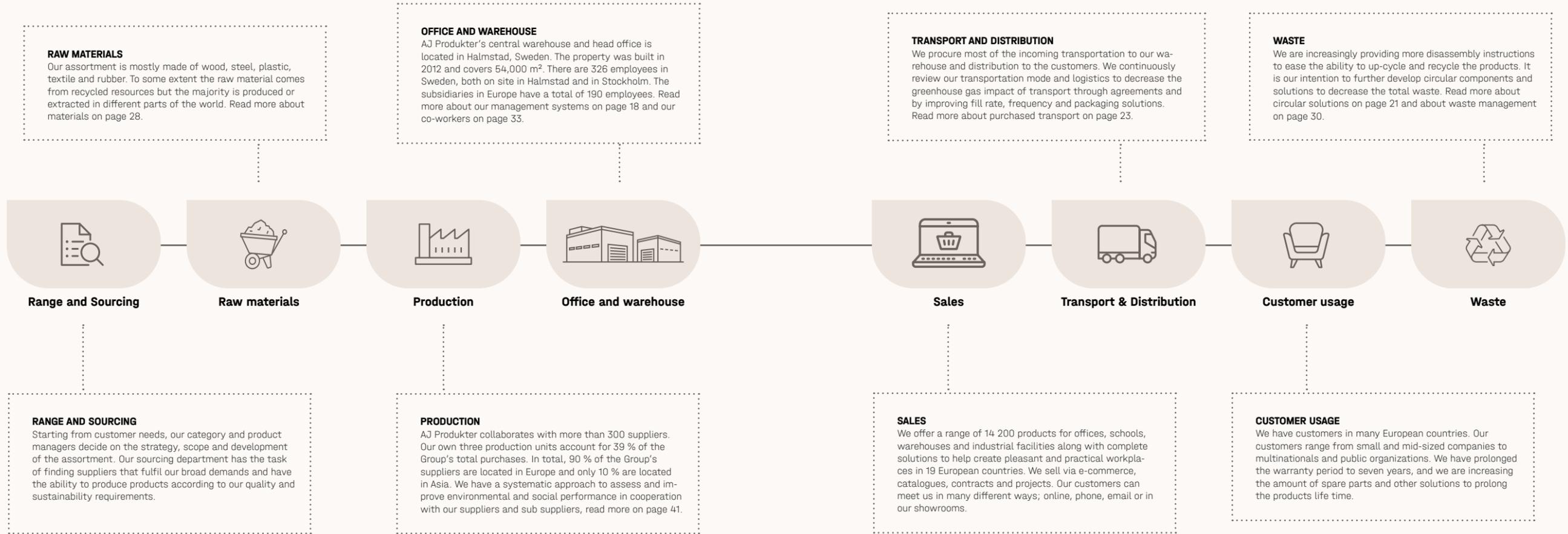
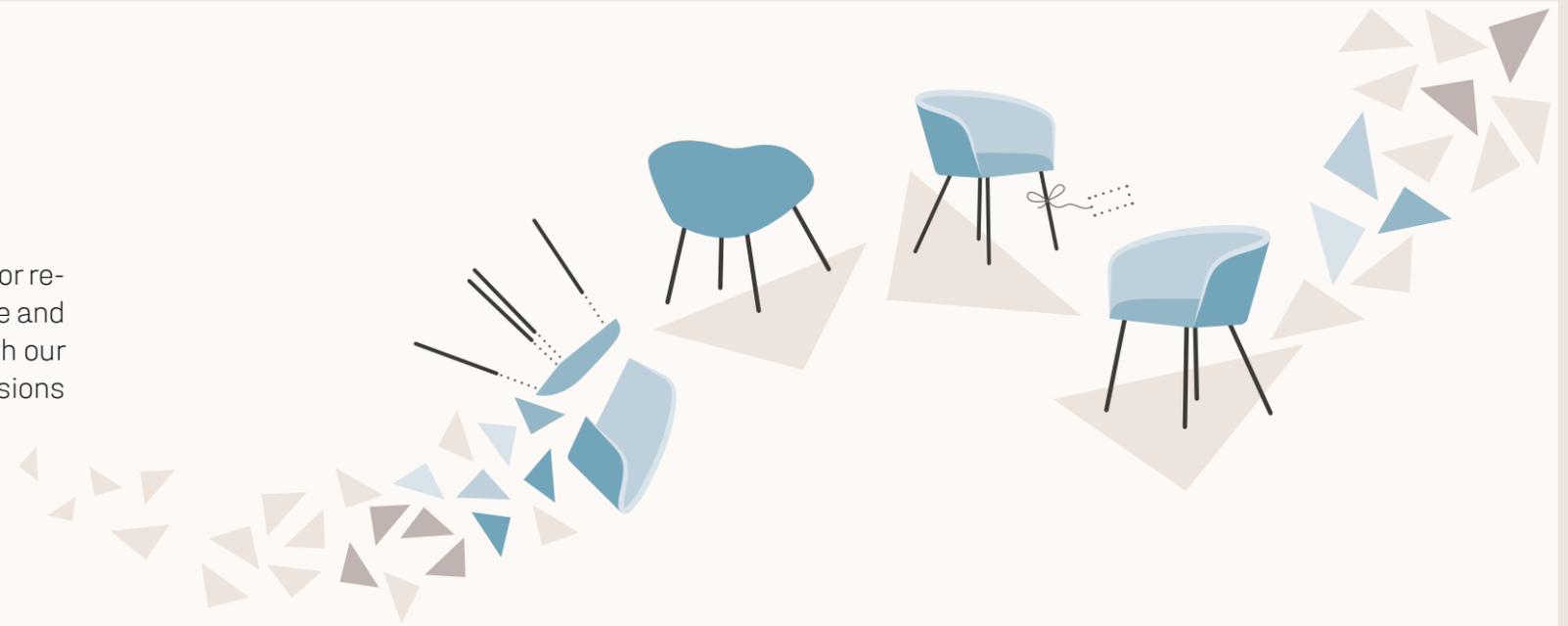
THREE FOCUS AREAS - TEN SUSTAINABILITY ISSUES

Sustainable governance	Resource management	People
<ul style="list-style-type: none"> Sustainable management and governance Business ethics and anti-corruption 	<ul style="list-style-type: none"> Circular solutions Climate impact and neutrality Energy use Material use Waste management including hazardous waste 	<ul style="list-style-type: none"> Our work environment - Our well-being and skills Human rights in the supply chain Customers' health and well-being



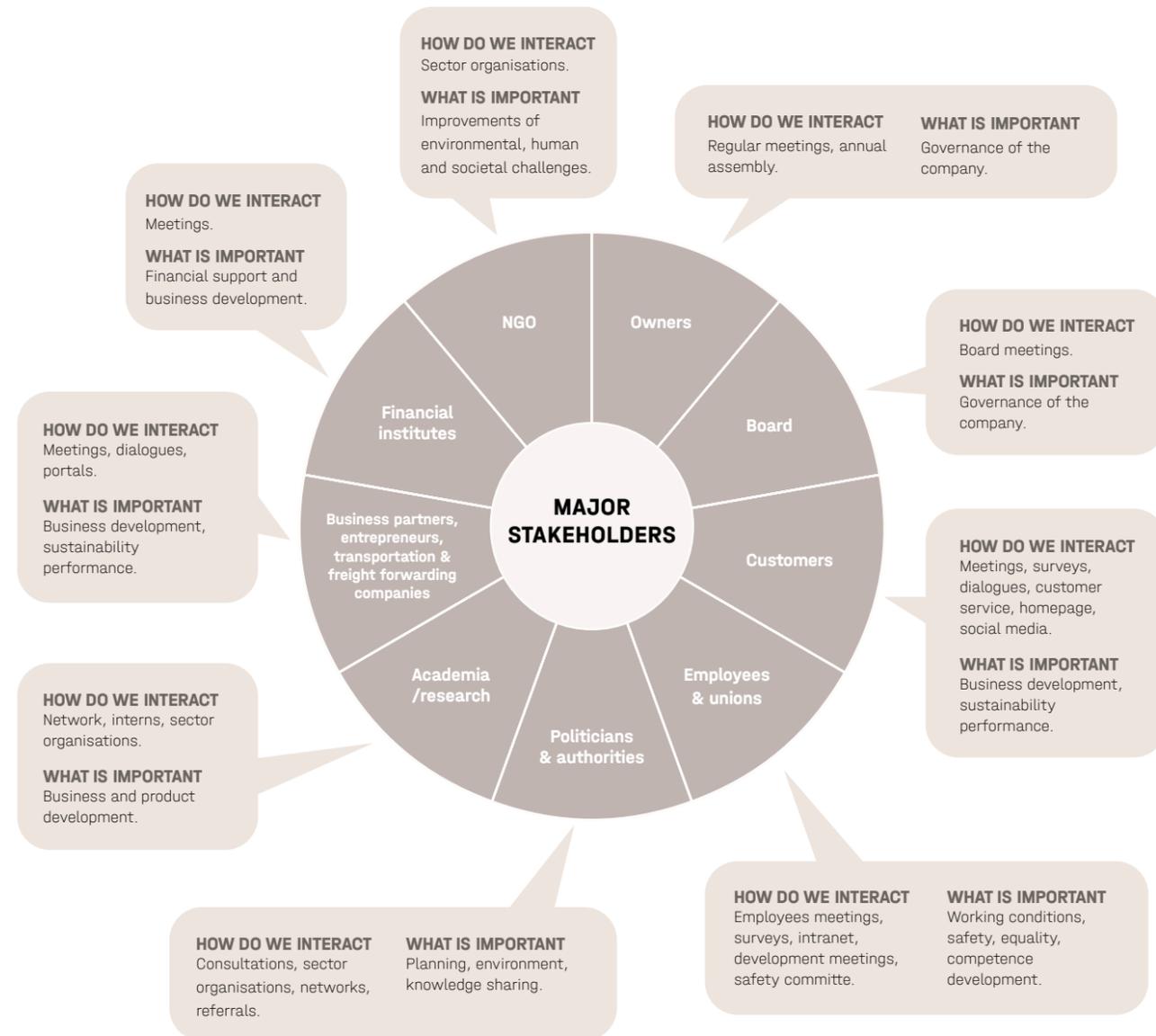
Value chain

Our value chain stretches from extraction or production of raw materials to waste or recycling of our products. In every stage of the value chain we can have both positive and negative impact on climate, environment, humans and society. In accordance with our material topics it is our responsibility to act within our value chain to reduce emissions and negative impact wherever possible.



Collaborations

The importance of collaboration with stakeholders is considerable and vital to progress. The demand for sustainability is growing more and more, due to ever-increasing legal and market requirements. We have also expanded collaboration within the field and participate in networks where we can exchange experiences as well as contribute to decrease environmental, societal and human challenges.



EXTERNAL COLLABORATION

ORGANIZATION	PURPOSE
Bris Sweden (Children's rights in society)	Campaigns for a better childhood by standing up for children's rights and making children's voices heard.
Aktiv skola (Active Schools)	Contributes to better schools by focusing on drugs, grooming, health, the environment and bullying.
Attention	Spreads awareness of neurodiversity.
Generation pep	Promotes an active and healthy life for children and young people.
German-Swedish Chamber of commerce	Supports networking within trade.
Swedish Commerce	Collective agreements, insight and advocacy in the interest of Swedish trade.
Rise Chemical Group	A network and knowledge platform run by RISE. The network provides the company with global monitoring, tools and knowledge exchange within chemicals and environment-related issues for products and production.
Möbelfakta's Criteria Council	AJ Produkter sits as a representative on Möbelfakta's criteria council. The council's task is to ensure that Möbelfakta's criteria are relevant and current and in line with ISO 14024.
EMC (Energy and Environment Centre)	Contributes to skills development and the exchange of experience within sustainable business development.
Swedma	Intrest organization concerned with data management and marketing.



Sustainable governance



CAMPAIGN

Success factor

"According to warehouse managers, there is a strong connection between a good working environment and profitability. We at AJ Products have everything for a better day at work - including workbenches for different needs - and are happy to help you furnish the workplace for the best results."

Sustainable management and governance

A lot of work has been done in the areas of environment, climate and sustainability at AJ in recent years. In parallel, we are taking a new and holistic approach to the sustainability agenda within the group with the objective of contributing even further to the UN sustainability goals while also fulfilling and surpassing our customers' expectations in this area. Like many other corporations, we need to prepare our organization for more comprehensive requirements from customers, other stakeholders and legislation.

GOVERNANCE AND STEERING DOCUMENTS

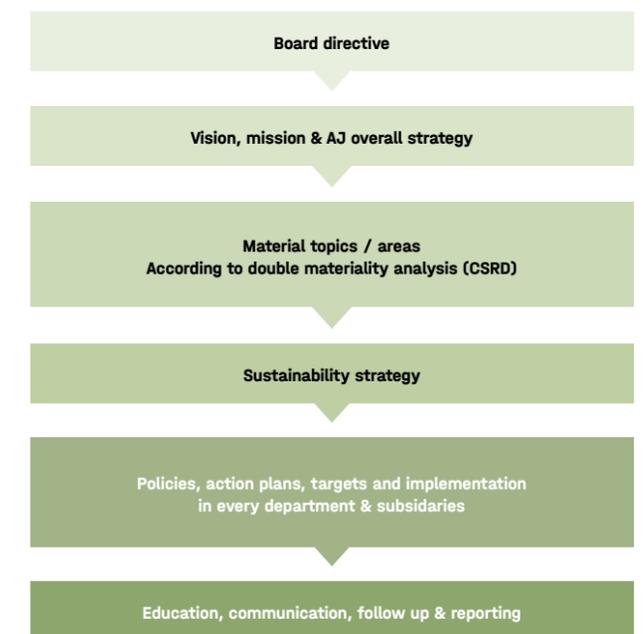
The Board approved a new directive: 'AJ Products Group shall contribute to the UN sustainability goals, and this will strengthen the company brand, increase trust among customers, employees, stakeholders, and generate sales and sustainable growth.' This forms a solid starting point for our sustainability steering documents and strategic discussions. In 2023, we started to review our sustainability governance, which resulted in a clearer structure of approval mandates, the streamlining of policy structure, and a formalization of how and where policies should be communicated. CEO has the overall responsibility for the company operation including sustainability, and each manager has the delegated responsibility to execute decided actions within the area.

We have also reviewed our internal Code of Conduct and our Supplier Code of Conduct. The purpose of this was to fulfill the requirements of upcoming legislation and ensure that these documents are in line with international frameworks and customer demands. Another important strategic area for AJ Products Group is the circular economy, wherein we developed and launched new principles for circular product design.

PREPARATION FOR CSRD

In 2022, we updated our materiality analysis, which resulted in ten material topics. These topics are the baseline for this Sustainability Report. In order to prepare for the new reporting directive, CSRD (Corporate Sustainability Reporting Directive), which will affect AJ Products Group from the fiscal year of 2025, we conducted a new double materiality analysis at the beginning of 2024. Our starting point will be an updated value chain of all our subsidiaries and departments, where we have mapped all activities and connected stakeholders. Please read more on page 12-13. Stakeholder dialogues have been initiated through customer interviews, an employee survey, and additional dialogues with suppliers and internal colleagues. We will also use our ISO certifications to connect our major environmental and governance impacts with our upcoming strategy. In January and February, we will carry out workshops to discuss and validate our reviewed material topics. These validated material topics will be the foundation of our group's sustainability strategy, which we will decide upon and anchor during the first quarter of the year.

STRUCTURE OF SUSTAINABILITY WORK



INCREASED REQUIREMENTS

The term of the current European Parliament has resulted in a lot of new European legislation within the area of sustainability. This is due to the overarching Green Deal decided by the EU in 2019, which sets the agenda for the term and includes goals of reducing climate emissions by 55 % by 2030 and achieving a climate-neutral EU by 2050. Besides the climate goals, the Green Deal also includes new legislation about communication, business models and governance, among other items.

The Corporate Sustainability Reporting Directive (CSRD) will affect many corporations within and outside the EU, and one of the objectives of the directive is to streamline sustainability reporting with financial reporting and make them more comparable.



The Deforestation regulation that comes into force from 2025 requires actors in the value chain to ensure that forests are managed according to law and that there has not been any deforestation connected to a product's raw materials. Another proposed directive is the Corporate Sustainability Due Diligence Directive (CSDDD), which requires risk assessments in the value chain and mitigation of all found risks. Since many of our corporate customers have high ambitions for their own sustainability agendas and are also affected by the EU legislation, customer requirements are increasing both in demand and complexity.

Due to the demands and legislation that will affect AJ Products Group directly, we have reviewed our internal and Supplier Code of Conduct, as well as other documentation in the product development process, to prepare for new ways of working, improved communication, and allow us to handle risk assessments in a proper and efficient way, among other aims.

SUPPORT STRUCTURE AND NEWWAYS OF WORKING

All of this calls for more data to be handled, organized, shared and archived. Therefore, we are looking into how we can develop and digitalize our current systems and, if needed, add new tools to facilitate work in an efficient and trustworthy way. As a B2B company, we are expected to support our corporate customers with the information they need for their sustainability work and reporting.

Our ten sustainability topics form the basis of our sustainability work and clarify the focus going forward. With the help of management systems and digital tools, we can secure processes and collect information in a structured way.

MANAGEMENT SYSTEM

ISO 9001 and ISO 14001 management systems for quality and environment since 2011. Since 2022, all 13 group subsidiaries have also been included in the group certificates. In 2023 our ISO management systems were audited both by internal and external auditors. Nine minor deviations were found, which have been resolved. The new certificates are valid for the next three years.

AJ Furniture Factory is ISO 9001 certified and, as of 2022, also approved for environmental, health and safety management systems, ISO 14001 and ISO 45001. In 2023, the factory had an external audit with good results, which resulted in the extension of all three certificates.

AJ Metal Design is certified according to ISO 9001, ISO 14001, ISO 45001 and ISO 50001 management systems. All four standards were re-certified this year and new certificates are valid for 2023 to 2026.

AJ Kalvarija is not yet certified to any management system but will prepare for implementation of ISO 9001 and ISO 14001; the goal is to be certified by 2025.

PLATFORM FOR CLIMATE CALCULATIONS

To support the work of analyzing and decreasing our climate impact as well as reporting, we use the Position Green platform to calculate our greenhouse gas emissions (GHG). We started to implement the software in 2022, with the focus on Scope 1 and 2 emissions. During the autumn we explored the possibilities to calculate and report more of our Scope 3 emissions, please read more on page 22.

THE MATERIAL PORTAL

Another part of the management of our sustainability work will be the Material Portal, which was implemented in the spring of 2023. There we can collect and secure structured documentation of the materials in our products. This will enhance our capability to trace materials and to fulfill the labelling criteria of different standards. At supplier level, data is collected on the type and amount of material, any content of hazardous substances and the proportion of recycled material.

Business ethics and anti-corruption

Our risk assessment has shown that business ethics and anti-corruption are becoming increasingly important in AJ, as well as in the wider business sector. To minimize risks in our operations, we have reviewed our steering documents and implemented new surveillance systems.

REVIEW OF CODE OF CONDUCTS

Our internal Code of Conduct applies to all employees in the AJ Products Group and contains guidelines on how we should interact with each other and with external stakeholders, as well as how we should conduct our business. This is a very important document, which is communicated through our digital preboarding program to all new employees. In 2023, we reviewed our Code of Conduct to ensure that it was updated according to international standards and upcoming legislation. In 2024, we will communicate and educate all employees on the new version of the code.

To ensure compliance with our Code of Conduct, we have implemented a whistleblower function that allows all employees to report any suspicion of misconduct, such as violations of the law, regulations, or internal policies and Code of Conduct. Reports can be submitted anonymously; AJ Products Group has a total prohibition on retaliation against whistleblowers and guarantees anonymity when requested. In 2023, no reports were submitted to the whistleblower process.

All our suppliers must comply with our requirements as set out in the AJ Products Group Supplier Code of Conduct, which is based on international frameworks such as the UN Convention against corruption. The objective is to ensure business ethics and anti-corruption measures in supply chain. No reported cases of corruption or bribery have come to our attention, and no supplier contracts have been terminated due to suspicion of corruption. We reviewed the Supplier Code of Conduct this year, and the new version will be communicated to all suppliers in 2024. Current suppliers will need to sign the new version of the document.

FINANCIAL CONTROL

We have continued to increase financial governance in our operations. As a baseline, our internal bookkeeping and accounting follow best accounting practice. We use a global actor for auditing and assurance to verify legal compliance and financial reporting in all operations and subsidiaries. All payments are approved by two parties, and we use software to help us control outgoing payments. The system provides functions to ensure that we are not exposed to fraud or other irregularities, and that no secondary employment conflicts with the company's interests. We check our customers for fraud and credit ability. To further improve financial and legal control, we have initiated third-party screening of all our suppliers to ensure stable and trustworthy relationships with our business partners. Our bank has systems enforced to avoid

money laundering. We have had no reported cases of fraud, irregularities or corruption in 2023. All new employees are checked for a criminal record before being onboarded to make payments or being involved in payments on a regular basis.

INCREASED CYBERSECURITY

IT security and cybersecurity are increasingly crucial components of our operations. We have an information security management process that aims to align IT security with business security and ensure that information security is managed effectively across all services. It is of utmost importance that information and information systems are available and usable when needed, can resist attacks, recover from or prevent failures, and are observed by or disclosed only to those who have the right to access them; and further that information is trustworthy and held with integrity. We follow a cybersecurity program that includes an annual audit and quarterly review of the roadmap. To support our employees in avoiding IT risks, we have comprehensive IT guidance policies and all employees receive regular security awareness training.



Resource management



CAMPAIGN

Be yourself at work

"Take care of your own resources. We have successfully supplied workshop furnishings for almost 50 years and can do a lot to increase comfort and efficiency. So regardless of who you are and what you like - we will fix the work environment."

Circular solutions

Circular solutions are pivotal to a sustainable future because we must reduce material usage and climate emissions. There is not yet a standardised definition of circular economy, but it is in progress. From an AJ perspective, we have started work across many areas but more needs to be achieved.

Circular solutions will be a strategic part of our industry going forward. Therefore we at AJ intend to improve our knowledge base and also seek collaborations to enable efficient and profitable set-ups. The EU is rapidly developing new requirements linked to sustainable consumption and the circular economy at the same time as customers increasingly want to be able to repair instead of buy new.

CIRCULAR DESIGN IS THE STARTING POINT

To be able to make the business more circular, you must start with the products. In 2023 our new product design strategy was finalised, which includes principles for more sustainable and circular design.

The strategy covers four main areas:

- Develop a more standardised assortment, including materials, components and colours.
- Develop products to enable repair, upgrading, re-use, dismantling and recycling.
- Increase usage of recycled and renewable materials without any harmful substances.
- Enable traceability of production, content and history.

Development of spare parts is now an integrated part of our product development process. We have steadily increased the number of spare parts, which we can provide our customers when needed. In 2023 we added 427 new spare part articles and have now more than 3000 spare parts in the assortment.

	2021	2022	2023
New spare parts	150	170	427
Total number of spare parts	2 293	2 863	3 290

We are also continuously increasing the number of products for which we provide disassembly instructions in order to facilitate replacement of components and recycling. From the end of 2023, disassembly and repair instructions will be integrated into the product process as standard procedure.

CIRCULAR SOLUTIONS

Products may be returned for many different reasons: slightly damage, customer cancellations, wrong product or colour. We already re-sell returns from customers and withdrawn products via outlets from our showrooms. There are circular initiatives started throughout

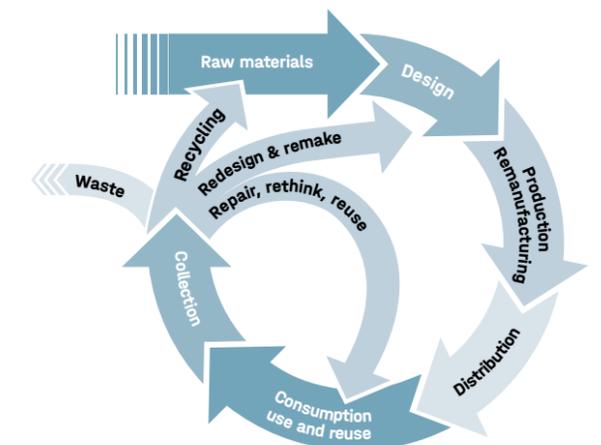
the AJ Products Group, from which we can gain experience and are now following up. Our new acquisition DPJ has "Återbruk" where they collect and, to some extent, refurbish products that are then shown on their commercial website. In the UK, we sell the returns on a second-hand platform (eBay) or give the items to charity.

In Norway, we cooperate with partners that specialize in buying returns and waste furniture: a similar scheme will be rolled out for Finland. They refurbish our products and sell them on their platform. This kind of set-up is beneficial not just for the environment but also for our business, by reducing costs and improving our ability to win tenders.

We have also made improvements to our order handling software, taking into account returns that were not damaged or altered so they can be re-sold instead of sending a new order for production. This has resulted in fewer products being produced and wasted.

PREPARATIONS FOR PRODUCT LABELLING

A part of the circular economy is the availability of product information. We have started to prepare our organisation for the upcoming EU legislation, Ecodesign for Sustainable Products Regulation (ESPR). The regulation mandates that product information such as country of manufacture, materials and carbon footprint must be collected, analysed and shared in a structured way. In light of this, we have started work to audit internal processes, prepare information to suppliers and establish how all the data can be properly shared. We are eager to find solutions that make the processes efficient and user-friendly both internally and for our suppliers and customers.



Climate impact

It is our overarching objective to reduce our climate impact from all our operations. In 2023, we have included additional aspects of our emissions, resulting in an increase in reported emissions. With a more comprehensive baseline, we are now able to decide upon a net zero goal and better prioritize our efforts to decrease our impact.

CLIMATE CALCULATION

This is the second year we are reporting according to the GHG protocol and this year we extended the calculation to include more categories in Scope 3. The units that report data are AJ Produkter AB, the 13 subsidiaries and the three production units. We use Position Green's ESG software and sustainability reporting tool.

SCOPE PER SOURCE (TONS OF CO ₂ E)	2022	2023	CHANGE
Scope 1			
Fugitive emissions (refrigerants)	2	24	1 265.3 %
Mobile combustion	188 ¹	292	54.8 %
Stationary combustion	981	787	-19.7 %
Total CO₂ emmissions, Scope 1	1 171	1 103	-5.8 %
Scope 2			
Purchased electricity (Location-based)	2 918 ¹	2 482	-15.0 %
Purchased electricity (Market-based)	3 221	2 838	-11.9 %
Purchased heating	16 ²	19	23.3 %
Total CO₂ emmissions, Scope 2³	3 237	2 857	-11.7 %
Scope 3			
Category 1: Purchased goods and services	0	45 101	N/A
Category 2: Capital goods	0	323	N/A
Category 3: Fuel- and energy-related activities	0	769	N/A
Category 4: Upstream transportation and distribution	4 592 ⁴	5 068	10.4 %
Category 5: Waste generated in operations	103	87	-15.7 %
Category 6: Business travel	253	345	36.6 %
Category 12: End-of-life treatment of sold products	0	5 766	N/A
Category 13: Downstream leased assets	0	27	N/A
Total CO₂ emmissions, Scope 3	4 948	57 486	1 062 %
Total for reported activities	9 356	61 446	557 %

¹ Updated figures due to movement of emissions from the electric cars from Scope 1 to Scope 2.

² Updated due to previously incorrect data of purchased heating in a rented office.

³ Based on the market-based Scope 2 figure.

⁴ Updated figure due to new calculation method.

SCOPE 1

Our direct emissions in Scope 1 have decreased by 5.8 %, which is mostly related to energy-saving activities in Slovakia that resulted in less use of natural gas. We had a leakage in one unit at the warehouse in Halmstad, which led to an increase of fugitive emissions. Although we can see that the emissions from our company cars are decreasing, the total emissions for mobile combustion increased due to the fact that the company-owned aircraft has been included.

The Group's decision to replace company cars with electric or hybrid cars is starting to show results, reducing from 189 tonnes of CO₂e in 2022 to 171 tonnes this year. In Sweden, the share of electric and hybrid cars now amounts to 24 % of the car fleet. In 2024, the percentage will increase when a further 28 cars are replaced.

SCOPE 2

We can also see a decrease of our indirect emissions in Scope 2 by 11.7 % due to increased use of self-produced electricity, which results in less electricity being purchased. Emissions from purchased heating have increased due to increased consumption but are still on a low level.

SCOPE 3

Our intention is to cover more categories within Scope 3 to be able to show a more complete overview of our total emissions. We have therefore added five new categories since last year: purchased goods and services (category 1), capital goods (category 2), fuel- and energy-related activities (category 3), end-of life treatment of sold products (category 12) and downstream leased assets (category 13). By adding these categories, Scope 3 emissions now account for 94 % (compared to 53 % last year) of our total reported activities. Our biggest emissions are from the purchase of products and services, followed by end-of-life treatment of sold products and transportation and distribution.

Our objective is to add additional relevant categories in Scope 3 in the future and to improve the quality of the data and calculations. The emissions reported for categories 1 and 2 are currently spend based and category 12 based on weight, meaning that the results are of a lower quality.

There is an increase in emissions from business travel, which is an effect of aircraft rental, which was an extraordinary measure this year. All other emissions from business travel decreased by 37 % due to reduced travel.

For more info about the GHG protocol please read at: <https://ghgprotocol.org>

PURCHASED TRANSPORT

In upstream transportation and distribution (category 4), we calculate the transport for which we are responsible, both on inbound and outbound flows. Our figures show that the emissions are increasing, which is due to the inclusion of more transport flows in our calculations. When we compare only the transport measured in 2022 with 2023, the emissions decrease by 11 %. All together the added flows constitute 1001 tonnes of CO₂e, which is 20 % of the total purchased transport emissions.

The transport to the warehouse in Halmstad includes flows from Asia as well as from our European suppliers. This year we have included deliveries from Turkey as well as the inbound flows to AJ Furniture Factory. Currently, the remaining flows not included in the calculations are inbound transport to the factories in Slovakia and Lithuania.

For outbound transport, we have now included an additional six flows: outbound to the Baltics and Ireland as well as outbound transport from AJ Metal Design and AJ Furniture Factory to the warehouse and project customers. The flows that are not yet included in the calculations are the outbound flows from the factories in Lithuania and Poland to their external customers.

From 2023 onwards, we are using a new calculation method for deliveries to customers which is calculated based on distance, weight and mode of transport. This is to make the figures more comparable over time. We plan to collect data for the excluded flows by next year.

ENVIRONMENTAL PRODUCT DECLARATIONS

This year we made progress in developing Environmental Product Declarations, EPDs for products manufactured in our own factories, such as school tables, desk screens and lockers. 15 EPDs were completed. By making environmental declarations, we can see where in the life cycle the product has the greatest environmental impact and identify areas for improvement. Life cycle analyses give us information about the impact from manufacturing, the use phase and the end of the product's life or its recyclability. Major influencing factors can include which raw materials are used, production methods, transportation and energy usage.

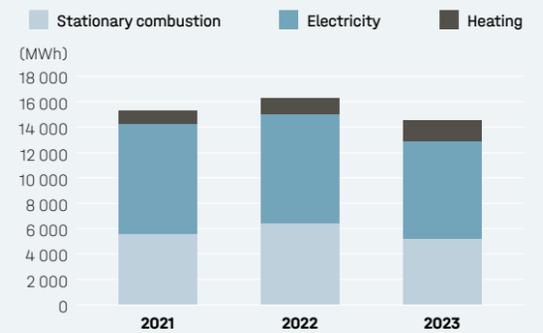
We will continue our work to develop more EPDs to provide our customers with accurate and reliable environmental and climate data; we will also include more product categories. Our completed EPDs are posted successively on EPD International's website: <https://www.environdec.com/library>

In BIMobject, which is a global marketplace for the construction industry, we also add EPDs, which gives architects and engineers an increased opportunity to make climate declarations of fixed interior design. EPDs are requested by large customers and in public procurement. We also see an increased demand from customers in general in regard to climate emissions per product. We are looking at different solutions to be able to report climate emissions per product on major parts of our range.

Energy use

Energy consumption has decreased significantly across the whole group by 9.1 % compared to last year. This has resulted in a reduction of 573 tonnes of CO₂ emissions. The decrease is mainly due to energy-efficient activities, new solar panels, and, to some extent, changes in production.

TOTAL ENERGY CONSUMPTION - ALL UNITS



All units have reduced their energy consumption, except for Halmstad. Across all facilities, the total electricity use has decreased by 11 % and stationary combustion has decreased by 19 %. This is mostly due to more solar panels installed and production improvements. The main reason purchased heat has increased by 53 % is due to the expansion of the warehouse in Halmstad.



AJ PRODUKTER - HALMSTAD

This summer, the installation of solar panels was completed and they were put into service at the head office and warehouse in Halmstad. This immediately had a positive effect and has resulted in purchased electricity being reduced by 13 %.

During the last three years, we have had ongoing construction. A major expansion of the premises was completed in 2022. The warehouse and office were expanded by 28,000 m² and the total area now amounts to 54,000 m².

This year all lighting in the older part of the warehouse was changed to LED, so that the entire warehouse is now equipped with LED lighting. Our total electricity consumption, including both purchased and own production, fell by 5 % compared to the previous year. Heat consumption increased by 57 %, which is largely due to the fact that the warehouse space increased by 93 % after the extension.

Purchased electricity is renewable and labeled Good Environmental Choice. Since the summer we have also had solar panels with a peak output of 500 kW. The property is heated with certified district heating, also called P-marked district heating or green district heating. The certified district heating comes from heat production, where wood chips and biogas are primarily used as fuel as well as industrial waste heat.

ENERGY CONSUMPTION AJ PRODUKTER HALMSTAD	2021	2022	2023	22/23 CHANGES
Electricity (kWh) purchased	1 460 000	1 898 463	1 647 925	-13.2 %
Electricity (kWh) own production, solar panels	0	0	159 306	N/A
Heating (kWh) purchased	841 230	1 167 440	1 832 763	57.0 %
Total energy consumption heat and electricity (kWh)	2 301 230	3 065 903	3 639 994	18.7 %
Total greenhouse gas emissions from heating and electricity (tCO₂e)¹	1.6	2.2	4.4²	98.4 %

¹ Based on Scope 1 figures and the market-based Scope 2 figure.

² The increase is due to both higher emission factor and increased consumption.

AJ FURNITURE FACTORY - POLAND

This year AJ Furniture Factory decreased their consumption of energy considerably, which also resulted in a 10 % reduction of greenhouse gas emissions.

Purchased electricity has decreased by 11 % due to energy savings activities and the effect of the solar panels so far installed. The installation of solar panels with the purpose of increasing renewable energy, will be done in three phases; the first phase started in 2021. At the moment the panels have a peak power of 100 kW and, when the third phase is completed, this will increase to 500 kW. The planned date to commission the third installation is the end of July 2024. Self-generated electricity this year amounted to 3.4 % of total electricity consumption. The factory recycles sawdust from manufacturing into energy to heat the facility.

In order to control and reduce energy consumption a lot of activities have been done this year.

- Optimization of the dust collection system in order to exclude unnecessary operation and energy consumption.
- Efficiency measures in production have led to the removal of two shifts.
- A new system to monitor electricity consumption on key machines is under development and will be implemented in 2024.
- Update of the purchasing policy on electrical equipment. All electrical products must have energy class A.
- In the lacquering department, 90% of the mercury lamps were replaced with gallium lamps while, in the office and break rooms, the lights were changed to LED.
- Installation of lighting based on motion detection.
- Installation of automatic shutdown of computers in production after completion of work.
- General instructions for electrical equipment with information about who is responsible for turning off equipment and lights in the factory and when this should be done.

ENERGY CONSUMPTION AJ FURNITURE FACTORY	2021	2022	2023	22/23 CHANGES
Stationary combustion (kWh), sawdust	598 400	680 040	634 704	-6.7 %
Electricity (kWh) purchased	3 019 009	2 819 187	2 509 677	-11.0 %
Electricity (kWh) own production, solar panels	7 630	96 218	88 830	-7.7 %
Total energy consumption heat and electricity (kWh)	3 625 039	3 595 445	3 233 211	-10.1 %
Total greenhouse gas emissions from heating and electricity (tCO₂e)¹	2 574	2 404	2 160	-10.1 %

AJ METAL DESIGN - SLOVAKIA

AJ Metal Design works in a structured manner with energy issues and is certified according to the energy management system ISO 50001. The Metal Design team works continuously on energy-saving activities. This year energy consumption was reduced by 20 % due to many energy-savings activities and lower production volumes.

The combustion of natural gas was lowered by approximately 1 million kWh. The most effective activity this year was the full impact of the investment in 2022 in a faster spraying booth on our new paint line, which also reduced hours on our second paint line. This investment led to a reduction in natural gas use by 10 000 m³. There was also a reduction in heating on weekends to reduce gas consumption.

Energy-savings activities impacted purchased electricity, which decreased by 21 %. Total electricity consumption was reduced due to decreased hours on our second painting line. Improvements from changing the office lights to LED and cancelling one external facility have also affected the result.

The project of investing in solar cells is ongoing and there is investigation underway into new types of solar panels that would be lighter and better suited to the roof. The intention is to have a peak power of 500 kW.

ENERGY CONSUMPTION AJ METAL DESIGN	2021	2022	2023	22/23 CHANGES
Stationary combustion (kWh), Natural gas	4 924 044	4 921 737	3 931 957	-20.1 %
Electricity (kWh) purchased	3 507 764	3 335 679	2 631 613	-21.1 %
Total energy consumption heat and electricity (kWh)	8 431 808	8 257 416	6 563 570	-20.5 %
Total greenhouse gas emissions from heating and electricity (tCO₂e)¹	899	1 514	1 210	-20.1 %

AJ KALVARIJA - LITHUANIA

AJ Kalvarija was acquired by the AJ Products Group in the autumn of 2022, so this is the first year that we can start to compare figures. Compared to last year, we can see a decrease in total energy consumption and at the same time an increase in electricity usage, which is due to increased production.

Wood pellets are used for heating the building. In 2023, we started to send wood waste to a local wood manufacturer, which then recycles the waste into wooden granules. This has decreased the purchase of wooden granules from other companies. We can see a reduction in energy consumption due to the fact that we now use fewer tonnes of wooden granules for heating because the ones from our new supplier are of higher quality; we also renovated the heating system. The factory is implementing a number of energy-saving activities. This year, LED lighting was installed in the whole premises and heat-retaining curtains were fitted on the gates.

There are plans to produce our own electricity in future with solar cells with a capacity of 100 kW. However, it is difficult to set a time plan on this project because it is dependent on the region's electricity operator. Currently, the power in the region is too weak to support the installations.

ENERGY CONSUMPTION AJ KALVARIJA	2021	2022	2023	22/23 CHANGES
Stationary combustion (kWh), Wood pellets	N/A	276 550	211 568	-23.5 %
Electricity (kWh) purchased	N/A	141 441	156 931	11.0 %
Total energy consumption heat and electricity (kWh)	N/A	417 991	368 499	-11.8 %
Total greenhouse gas emissions from heating and electricity (tCO₂e)¹	N/A	57	75	31.7 %

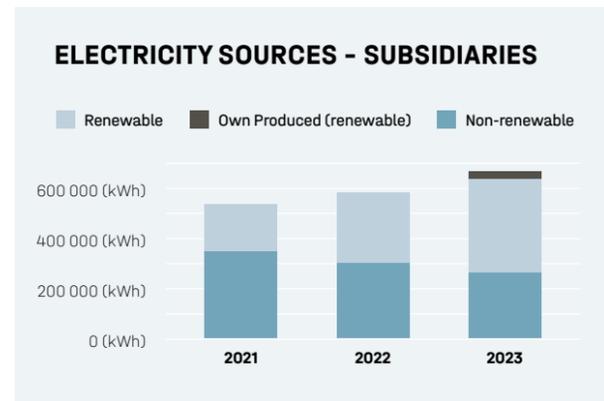


SUBSIDIARIES

Greenhouse gas emissions from energy use have decreased by 18.9 % from our subsidiaries even though we had a 3.3 % increase in energy consumption. This is a result of purchasing more renewable electricity, own solar panels and reduced use of stationary combustion.

Some of the subsidiaries own their facilities while others rent, which affects our ability to make changes to the properties. The energy consumed by our subsidiaries comes from both renewable and non-renewable sources. Various sources are used for heating including natural gas, district and purchased heating.

For the subsidiaries, our goal is to reduce the use of electricity generated from fossil fuels to 0 % by 2024. This year, we have been able to use our own generated electricity for the first time in one subsidiary. When a new office and warehouse was built in Lithuania in 2022, we installed solar panels on the roof with a peak power of 30 kW. The subsidiaries in Estonia, Finland and Norway have green certificates for purchased electricity. 59 % of electricity now comes from renewable sources. The figure is only based on electricity with green certificates and our own generated electricity.



ENERGY CONSUMPTION IN SUBSIDIARIES	2021	2022	2023	22/23 CHANGES
Stationary combustion (kWh)	254 336	352 728	290 360	-17.7 %
Electricity (kWh) purchased	537 897	580 210	643 627	10.9 %
Electricity (kWh) own production, solar panels	0	0	23 740	N/A
Heating (kWh) purchased	97 889 ²	112 199 ²	121 967	8.7 %
Total energy consumption heat and electricity (kWh)	890 122	1 045 137	1 079 694	3.3 %
Total greenhouse gas emissions from heating and electricity (tCO₂e)¹	246	237	193	-18.9 %

¹ Based on Scope 1 figures and the market-based Scope 2 figure.

² Figures updated because of incorrect historical data of purchased heating used in a rented office.



Material use

In 2023 many initiatives and actions have been taken to further improve our assortment and way of working. AJ has increased the amount of third-party assessed products such as Möbelfakta and also involved more suppliers in our intention to collect and analyze comprehensive data concerning raw materials.

THE MATERIAL PORTAL

Last spring, we implemented the Material portal, where we can collect and ensure the documentation of the materials in our products in a structured way. At the supplier level, data is collected on the type and amount of material, content of substances and the proportion of recycled material.

The factory in Poland served as a pilot to ensure the functionality of the portal. Subsequently, nine additional suppliers have been introduced to the portal. Prioritization of new suppliers in the material portal is according to sales size and type of assortment. We have three different levels into which the materials can be classified. All materials must meet our basic requirements, which always means minimum legal requirements and for certain types of materials stricter requirements. The levels are set so that we can determine which materials meet external requirements, such as Möbelfakta, or procurement requirements.

236 materials were registered in the portal in 2023. All materials have met our basic requirement. If we discover any materials that do not fulfill our basic requirements these must be changed or erased from our products.

XRF SCANNER

With the help of the XRF scanner that we acquired in 2022, we can now test products ourselves to ensure dangerous substances are not present. One of the at-risk product groups is our electrical products, which we have chosen to prioritize in our internal controls to ensure compliance with RoHS. So far, no non-compliant products have been identified.

TECHNICAL SPECIFICATIONS

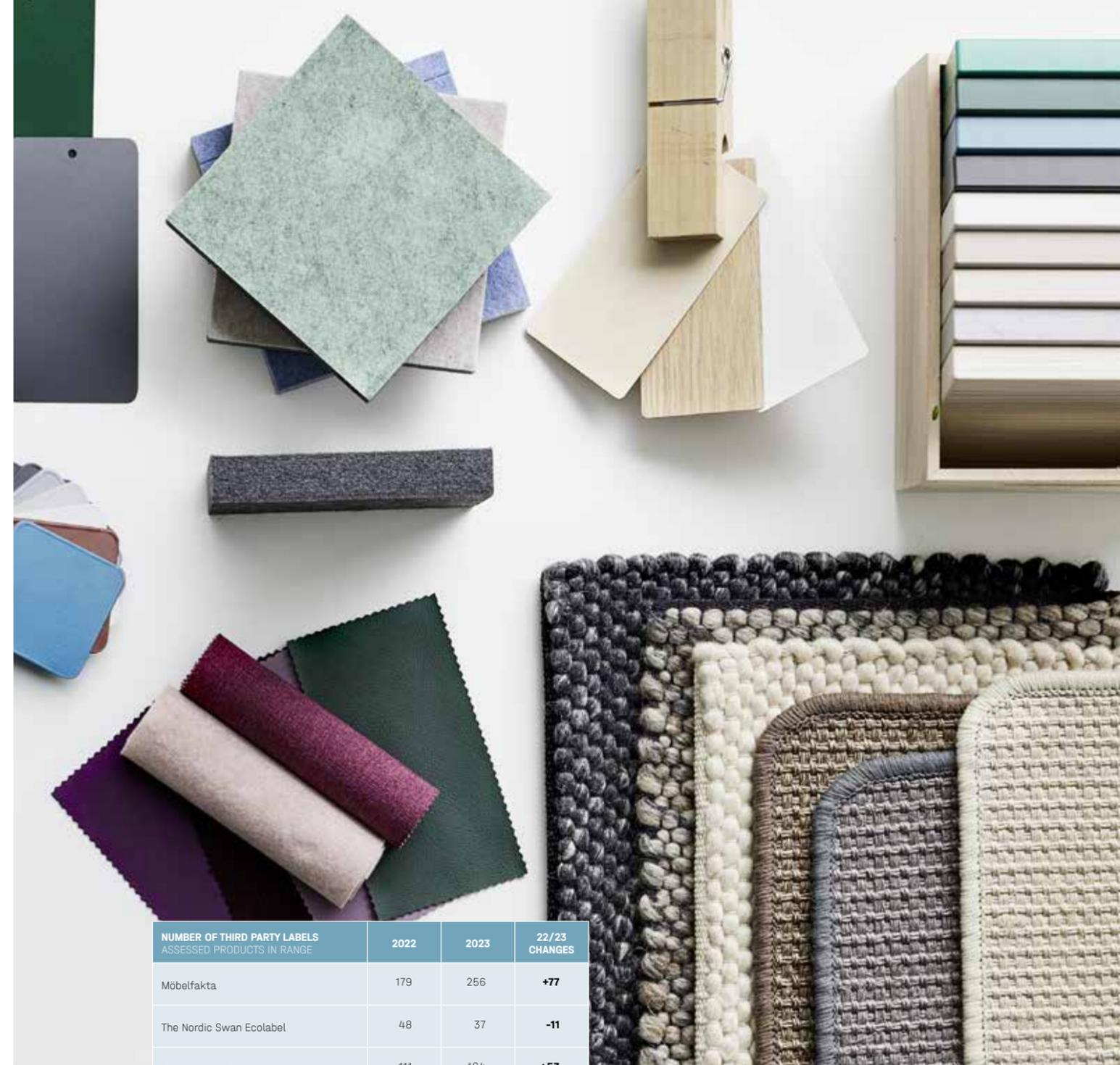
To better govern chemical content and raw material usage in our assortment, in 2023 we developed our technical specifications, which will support both category managers and suppliers to choose materials with less environmental impact.

THIRD PARTY LABELS

The assessments of eco labels include requirements for constituent materials with a focus on chemical content, emissions and sustainable forestry. They also set criteria for the entire product's traceability and for ensuring the impact on both humans and the environment will be minimal. This means that the products are verified by an independent party with respect to performance and content.

During the year, we have had a further 53 new products assessed in the Byggarubedömningen, as we published six product groups there. Möbelfakta labeled products in our range increased by 77 articles, where the major focus was on labeling the Borås and Sonitus product groups. The number of products labelled with the Nordic Swan Ecolabel has decreased as a number of those products have been withdrawn from the range.

Some of our products also meet requirements for labeling wood raw materials according to FSC and for textile raw materials according to OEKOTex and EU Ecolabel. AJ Furniture Factory is certified as a FSC Chain of Custody approved manufacturer and in January 2024 a PEFC certification audit will take place.



NUMBER OF THIRD PARTY LABELS ASSESSED PRODUCTS IN RANGE	2022	2023	22/23 CHANGES
Möbelfakta	179	256	+77
The Nordic Swan Ecolabel	48	37	-11
Byggarubedömningen	111	164	+53

MÖBELFAKTA

Möbelfakta is a complete reference and labelling system for furniture. It includes technical, environmental and production ethical requirements. Furniture labelled with this certification meets the specified demands for quality, environment, and ethical manufacturing.

THE NORDIC SWAN ECOLABEL

The Nordic Swan is the official ecolabel for the Nordic countries. It examines the environmental impact of goods and services throughout their life cycle and places requirements on function and quality.

BYGGVARUBEDÖMNINGEN

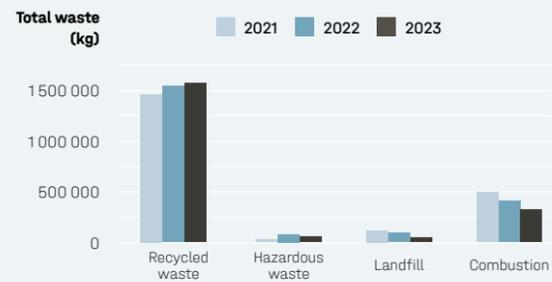
Byggarubedömningen assesses building products on the basis of their chemical content, environmental impact during their life cycle and by extension also the social impact in the supply chain.

Waste management

Looking at all our facilities collectively, we can see that over the last three years we have managed to recycle an increased share of our waste and thereby decrease the amount of waste sent to incineration and landfill.

We produce the largest amount of waste in the factories and in the warehouse in Halmstad. AJ Metal Design recycles 90 % of their waste (compared to 89 % in 2022) due to their high proportion of metal. AJ Furniture Factory has made progress with an improved share of recycled waste so that is now represents 74 % (61 % 2022), with a particular increase of paper and corrugated cardboard. However, only 28 % (26 % 2022) of all waste from AJ Produkter in Halmstad was recycled in 2023, a number that we want to improve. The reason for the low figure is one-way wooden pallets. We continue to find ways to reduce the number of one-way pallets that go to incineration and are looking into different possibilities for circular flows and reuse of pallets. Although we have increased the proportion of recycled waste in the last three years, we did not reach the 2024 target which was 40 % recycled waste from the warehouse in Halmstad.

WASTE FROM OUR FACILITIES 2023

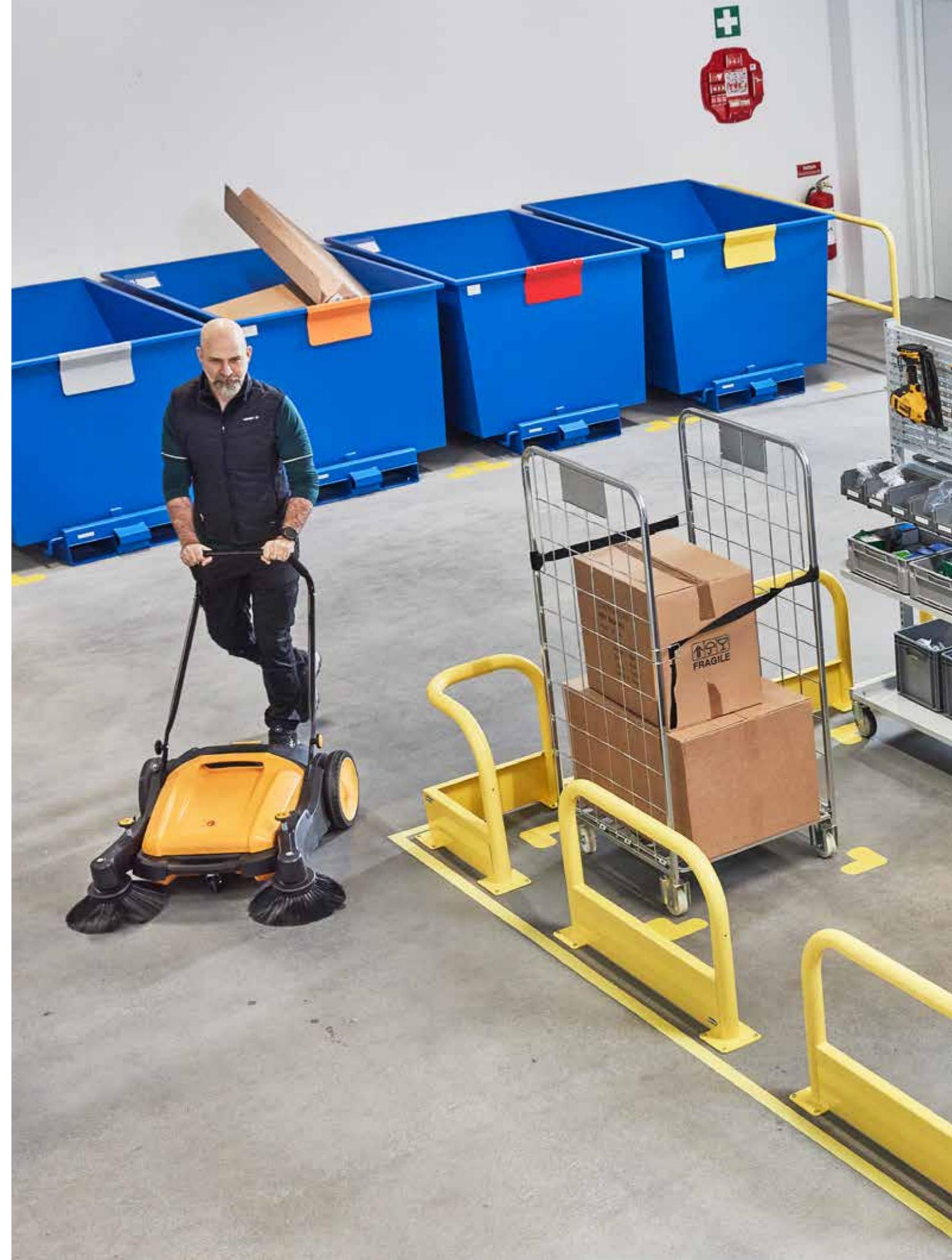


WASTE IMPROVEMENTS

- Created a new waste sorting station that will be more accessible for recycling waste from the offices in Halmstad.
- At headoffice and warehouse, we expanded the recycling of household waste in the kitchenettes and improved the information to employees about the new way of waste sorting. Bins were then removed from the office areas.
- Reduced cardboard waste by approximately 5 % after changing the dimensions of the boxes at AJ Furniture factory.
- Reduced waste in the cutting process at our Polish factory by 5 % after changing the dimensions of boards.
- Started using post-production waste to produce partition walls.
- Developed the waste management system and expanded in-house waste sorting to more waste types at AJ Kalvarija.
- AJ Norway expanded its waste sorting to more waste types.

PRODUCER RESPONSIBILITY

We are subject to producer responsibility regulations, which means that we are responsible for contributing to recycling targets and ensuring that any packaging, electronic products and batteries that we put on the market can be collected and recycled. AJ Produkter in Sweden is part of the FTI and El-Kretsen collection systems (FTI will transfer to NPA in 2024). Our subsidiaries report in their respective countries. Our goal is to only use packaging materials that are made of renewable or recycled materials, such as honeycomb, which is made from 100 % recycled paper. We still use some expanded polystyrene in our packaging but we have a clear directive in place to eliminate this.



People



CAMPAIGN
International Women's Day 2023
 #embraceequity

Health and safety

Based on our core values – engaged, responsive, knowledgeable, and genuine – we have taken further actions to improve the work environment in the AJ Products Group for our 1 100 employees. The overall health and safety performance of AJ has improved in our factories as well as in our head office and main warehouse. We received a national award for the safety work in our Polish factory.

Physical work environment factors such as noise, light, ergonomics, movement and exercise are important for our physical and mental health. We conduct continuous efforts to prevent accidents and incidents and to minimise work-related illness or injury. The overall goal is to have zero sick leave linked to the work environment. We are continuously developing and improving our systematic health and safety management system and our internal control of the work environment. In 2023, we also reviewed our internal Code of Conduct to further support and give guidance on our way of working on a daily basis.

LOWER SICK LEAVE

The total sick leave in Sweden was 2.08 percent, calculated from day 1-13, which is below our goal of 3 percent. In recent years, it has been a challenge to analyze sick leave changes due to the pandemic. From 2024 onwards, we will compile sick leave from all subsidiaries.

SICK LEAVE, SWEDEN			
2021	2022	2023	Goal
1.93 %	2.56 %	2.08 %	3 %

(Hours of sickness / worked hours) x 100

Although we did not have any serious accidents last year, starting from 2024 we will also follow the TCIR (Total Case Incident Rate) more closely at our Halmstad head office and warehouse.

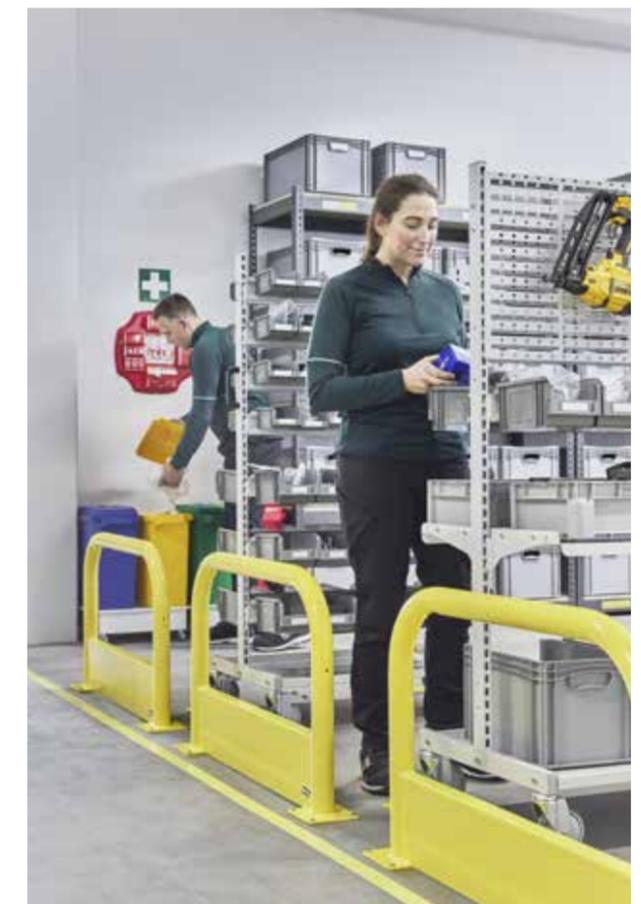
IMPROVED WORK ENVIRONMENT

Our safety committee in Halmstad has representatives from HR and management as well as workplace representatives and safety and fire protection officers. The committee has conducted four meetings in 2023. It focused on risk assessments and safety checks for the new areas that were added and developed in 2023. It covered compliance, provided training on the sprinkler system as well as CPR training and updated all defibrillators.

To increase safety in the central warehouse, we restricted pedestrian access to some areas where high stacking of lockers posed a risk; only forklifts with a hard top are now permitted in these areas. New cleaning machines with a hard top were also installed for this specific area to increase safety. We invested in an increased number of ErgoPacks, which are automatic strapping machines that improve ergonomic posture when threading

strapping on pallets. As always, we carried out work environment training for managers, HR, safety representatives and workplace representatives. More warehouse staff were trained in packing to provide greater flexibility in the work rotation, which can have physical health benefits. Ergonomic training was also carried out for office employees in Sweden.

Fire safety is crucial in our operation and a major fire drill took place at the head office and warehouse simulating a real-life situation and including the fire brigade. The assessment of the drill showed that we have routines in place including searching in all zones.





This year AJ Furniture Factory received an award from the Polish National Labor Inspectorate for being the company to ensure the highest level of health and safety in the country.

AJ FURNITURE FACTORY

We continued to develop and improve the working conditions in our Polish factory, both in organisational and practical aspects. In addition to having sustained the BBS (Behaviour Based Safety) programme to reduce accidents in the workplace, we introduced an Employee Ideas Programme "Pomystomania". This allows all employees to submit ideas and receive points for them, which are exchanged for a financial reward. At the end of the year, an annual prize is awarded to the most active participants. The programme will support us in improvements in production, product quality and working conditions.

We had an external audit of our ISO 45001 system without any deviations.

Behaviour Based Safety, BBS, is a proactive approach to increasing safe behaviour, reducing hazards, risks and incidents by observing the behaviour of a person and determining what follows when this behaviour occurs. It provides long-term solutions and includes seven steps. Regular audits are carried out at every part of the production line and on every workstation.

1. Identify behaviours that can be problematic such as unsafe or risky behaviours.
2. Determine the root cause of the identified behaviours.
3. Create possible corrective actions.
4. Evaluate corrective actions.
5. Develop the necessary processes to carry out the BBS programme.
6. Implement the BBS programme.
7. Evaluate the data gathered from the BBS programme and check whether it solved the problem or increased safe behaviours.

AJ Furniture Factory implemented an automatic working time registration system to ensure fair and transparent calculations of wages. The system also eliminates possible risks of errors related to manual data entry. We have also implemented a new system for production data management (PDM), which will increase the efficiency of handling data.

The TCIR (Total Case Incident Rate) was 1.38, which is below our goal and benchmark. We have decided to have a joint TCIR goal for all three factories of 2.20. The benchmark in the sector is 2.51. We reached the level of completing 85 % of audits within the BBS system, which is at the same level as last year¹. Our goal is to be higher than 80 % on average per year.

This year we also received an award from the National Labor Inspectorate for being the company to ensure the highest level of health and safety in Poland. Going forward we will invest more in ergonomics, with anti-fatigue mats at standing workstations and robots for unloading heavy products from the production line.

¹ This compares to the 97 % level of BBS presented in last year's report but we have changed the calculation method this year.

AJ METAL DESIGN

In our Slovakian factory, we managed to improve working conditions and the TCIR decreased to 1.64 (from 1.97 in 2022), which is far below our goal of 2.20. In 2023, we were also approved by third party auditors of ISO 45001, with 16 recommended improvements to be materialized in our operations.

This year we invested in forklifts with new batteries and chargers, which are safer and more efficient for the drivers. We also exchanged all employee safety shoes for more comfortable and breathable ones. Our implementation of 5S this year was with the aim of achieving general improvements both for staff and production.

We have used BBS for registration of incidents and, starting in 2024, we will do monthly audits in all production departments with the intention of increasing awareness and preventing safety risks.

To achieve better ergonomics in the office, new desks were installed and we also invested in new furniture for our canteen to improve the general work environment.

AJ KALVARIJA

In our newest factory in the AJ Products Group we started to implement 5S to improve working conditions and production. We also introduced safety committee reviews, which we do every month. Furthermore, we provided free vaccinations for all our employees.

The TCIR for our employees was 2.11 this year, which is below our joint factory goal of 2.20. We will have an increased focus on pro-active health and safety work going forward, and we will invest in training and coaching programmes to increase awareness of health and safety.



Wellness at work

In line with our new brand guidelines, we want to create friction-free workplaces that contribute to happiness at work, both internally and for our customers. We provide numerous benefits to enhance well-being at work. Our employee survey showed general improvement.

From a social perspective, people feel good at work when they are able to use their strengths and skills and collaborate with others in an encouraging and inspiring work atmosphere. AJ wants to be an attractive workplace with healthy staff who want to stay long-term. We want to create a work environment where everyone knows the purpose of their job and their responsibilities. We aim to be a workplace characterised by openness, inclusiveness and gender equality.

IMPROVED EMPLOYEE SATISFACTION

Employee satisfaction surveys are a way of gaining insight and working with result-oriented activities on a regular basis. Employee satisfaction and engagement is a prerequisite to reaching our goals together and feeling good at work. The employee satisfaction survey in 2023 had a response rate of 86 %.

After each survey, the overall result is presented to everyone in the organisation and then each department works through its results. The aim is to ensure that we preserve strengths and work on areas that need improvement. The same work is done by management to improve company-wide issues. We strive to reach our goals for the company as a whole, which is +30 on the eNPS (Employee Net Promoter Score) and 80 on the EI (Employee Index).

In general, the results show good development of the eNPS and, having now carried out the survey for each of our factories, we will look further into how employee satisfaction can be improved. The physical working environment in the Metal Design facility with regard to noise and heat conditions is highlighted in the survey, which gives us clear indications on what we need to improve. A reorganisation in the survey set up might have affected the result of the subsidiaries since we reallocated the Swedish sales organisation from HQ to the subsidiaries. From 2023, we will have an organisational set up that we can track and compare over time thanks to practical measurement tools within our survey.

What still stands out in the survey is that time for recovery at work has a low score, which indicates an intense work pace. It is an area where there is a lot of research as it has become commonplace in large parts of society where everything seems to move so much faster. We need to learn how to handle it and also recognise that people are different, which means we need different strategies to cope with high speed and changes.

In general, we do not have a lot of overtime and the question of work/life balance has high positive values, which shows that there is time for recovery outside of work hours.

ENPS EMPLOYEE LOYALTY - Measured on a scale of -100 to +100				
	2021	2022	2023	Goal
AJ Produkter (HQ)	20	22	33	+30
Subsidiaries	31	30	32	+30
AJ Furniture Factory	n/a	1 ¹	9	+30
AJ Metal Design	n/a	1 ¹	-13	+30
AJ Kalvarija ²	n/a	n/a	n/a	+30
Total	n/a	14	18	+30



EI EMPLOYEE INDEX - Measured on a scale of 1 to +100				
	2021	2022	2023	Goal
AJ Produkter (HQ)	79	79	79	80
Subsidiaries	85	84	81	80
AJ Furniture Factory	n/a	70 ¹	78	80
AJ Metal Design	n/a	70 ¹	72	80
AJ Kalvarija ²	n/a	n/a	n/a	80
Total	n/a	78	78	80

¹ Measured together in 2022 ² First measurement in 2024

ENHANCED ACTIVITIES FOR WELL-BEING

Job descriptions, our Code of Conduct and policies make it clear how work is to be performed at AJ Products Group. Through annual performance dialogues, employee surveys and follow-up workshops, we want to increase the dialogue and are keen to take in views and suggestions for improvement.

Many actions have been taken to further improve the working environment in the Group. In Estonia, we moved into new premises that better suit our business needs. Both the office space and showroom meet our requirements more fully, which helps the team feel pride in their work and workplace. In Latvia, the team exercises together every week, which creates good team spirit and better health. In the central warehouse, we have built a new, bigger canteen with a lounge area and a terrace where employees can relax during their breaks.

To enhance well-being for our Swedish employees, we offer free breakfast and flu vaccinations. We offer health assessments for those who have worked for more than 12 months and then again every fourth year. The gym at the head office is well visited both for group training and individual exercise.

GENDER EQUALITY

AJ Products Group aims to be a workplace characterised by openness, inclusiveness and gender equality. Women and men should have equal working conditions and career development opportunities. All managers who start at AJ undergo training in inclusive leadership, employee rights and equal conditions.

We strive to increase the proportion of women in the warehouse in Sweden and working in production at our factories, which are the parts of the company dominated by men. We are aware that some work is physically demanding, and we constantly seek to find aids for heavy lifting and repetitive tasks.

Gender equality has moved in the right direction for some parts of our Group but not in others. At AJ Produkter (HQ) we recently started to change the recruitment notice to attract more women to the warehouse.

BREAKDOWN - EMPLOYEES (INCLUDING TEMPORARY WORKERS)			
	Total	Women 2023 (2022)	Men 2023 (2022)
AJ Produkter (HQ)	239	35 % (37)	65 % (63)
Subsidiaries	275	57 % (58)	43 % (42)
AJ Furniture Factory	238	37 % (35)	63 % (65)
AJ Metal Design	240	20 % (22)	80 % (78)
AJ Kalvarija	59	64 % (-)	36 % (-)



BREAKDOWN - MANAGEMENT POSITIONS			
	Total number of managers	Women 2023 (2022)	Men 2023 (2022)
AJ Produkter (HQ)	32	16 % (19)	84 % (81)
Subsidiaries	31	58 % (54)	42 % (46)
AJ Furniture Factory	17	29 % (44)	71 % (56)
AJ Metal Design	9	11 % (17)	88 % (83)
AJ Kalvarija	8	37 % (-)	63 % (-)

Skills and competence

We have developed and implemented tools to support both employees and managers. The purpose is to enhance the competence within the company, to find the right employees and ensuring that they develop and thrive in the company.

AJ ACADEMY: OUR ON-BOARDING PROGRAM

We have a comprehensive program for pre- and onboarding. The program extends over a year, to cover all new recruits within AJ Produkter and its subsidiaries.

BREAKDOWN - EMPLOYEES (INCLUDING TEMPORARY WORKERS)

Area	Outcome	Goals
Introduction for white-collar workers - Sweden	8.9	9.0
Introduction for blue-collar workers - Sweden	9.5	9.0
Introduction for subsidiaries	8.7	9.0
My first year for white-collar workers - Sweden	8.3	8.5
My first year for blue-collar workers - Sweden	8.9	8.5
My first year for subsidiaries	8.6	8.5

We measure satisfaction levels in the various sub-programs every month and the perception is that the introduction is well received. The introduction includes a visit to head office where we conduct a tour, carry out basic product training and give participants an opportunity to meet the various departments to learn what they do and get to know colleagues in other departments.

NEW SYSTEM AND MODEL IMPLEMENTED

In 2023 we refined our HRM system, People@AJ, which was implemented in 2022. People@AJ secures all our internal HR processes and creates a clear process flow. It makes it easier for managers to take the right action at the right time, and creates confidence in the parts of the onboarding process that must be in place to on- and off-board employees. We have chosen to profit from ongoing learning to consolidate new knowledge and support managers and employees during the change journey.

We have implemented a new competence model with three levels:

- Foundation competencies: Valid for all employees.
- Manager Competencies: Valid for all Managers.
- Management Competencies: Valid for the Group Management team, Country Managers and Plant Managers.

The model is part of our Performance Dialogue where the employee prepares by evaluating themselves with respect to their competencies and individual objectives. Once this is complete, the manager also prepares by evaluating the employee on competencies and objectives. Before the manager and employee hold their Performance Dialogue, the manager participates in a calibration meeting with the second level manager and any feedback providers, facilitated by HR. The result is presented in a grid, which, together with the discussions, gives a clear understanding of the performance in the organisation. From the outcome of the calibration meetings, we become aware of where we need to take action and support with training and development. It also gives us a good overview of where we have employees ready to take next step and develop further in the organisation.

Students who have completed their degrees or an internship with us are seen as positive elements in our business that help us develop. In some cases, this may also lead to an employment offer. In 2023 we had approximately 10 students working at AJ on a short time basis.





Supply chain

Escalating legal and customer requirements have a substantial impact on our supply chain management. To meet these increased demands, AJ Products Group has initiated work to extend our governance in this area. We have improved our processes and supplier monitoring to achieve better documentation, product and packaging quality, and delivery performance among other aims. Additionally, we have set up a new purchasing office in China to meet future requirements.

MORE THAN 300 SUPPLIERS

We have over 300 suppliers that produce our standard assortment of approximately 14,200 articles. We have a special focus on the suppliers that represent large volumes in our standard assortment. In 2023, we developed our way of working with our suppliers, with the intention of working in closer partnership to improve various aspects, such as delivery performance and social responsibility. As such, we have improved our routines on how we monitor and cooperate with our suppliers and also invested in deeper supply chain knowledge of our main raw materials. This requires more resources per supplier but improves product quality and delivery while minimizing risks. Consequently, we are consolidating our volumes to fewer suppliers. In 2023, we terminated 45 suppliers and onboarded four new suppliers for the standard assortment.

THREE FACTORIES IN THE GROUP

The AJ Products Group has three production facilities in Europe, focused on producing upholstered furniture, office furniture, storage cabinets and pallet racks. Our factories represent 39 % of our total purchases. Most of our products are produced in Europe (90 %) with only 10 % produced in Asia. This year, we outsourced our procurement management in China. The change was due to upcoming legal and customer requirements that require additional competencies for the future and was not a cost-reduction measure. Our new purchasing partner in China is responsible for risk assessments and monitoring the social and environmental performance of suppliers to ensure that they continuously develop their sustainability credentials.

As per our decision in 2021, we do not allow any business relationships with actors in Russia or Belarus.

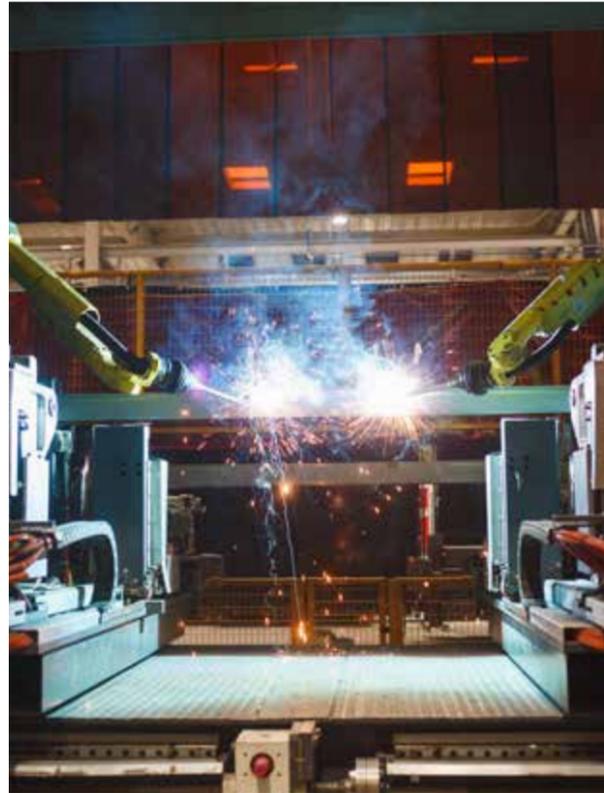


EVALUATION AND ASSESSMENT OF SUPPLIERS

The process of onboarding a new supplier is comprehensive and will become even more thorough going forward. Initially, we evaluate the supplier based on quality, finance, delivery capability, and environmental and social aspects. The supplier must sign our agreement and Supplier Code of Conduct and then do a self-assessment of social, environmental and ethical issues. We do a risk assessment of our suppliers and perform audits, including social, environmental and ethical questions, based on the results of the risk level. If any deviations are found, the supplier must act upon them according to the Corrective Action Plan (CAP) that is established. We follow up to ensure that all deviations are remedied.

Our risk assessment is based on a combination of the country of origin of the supplier and any subcontractors, the complexity of the supply chain and the result of the self-assessment that the supplier must submit. The latter includes questions about whether the supplier has structured procedures such as management systems, internal and supplier code of conduct, and valid permits from authorities, among others.

We are working according to a five-year plan, focusing on the largest suppliers with the highest risk in 2020 and 2021.



FOLLOW UP OF HIGH RISK SUPPLIERS

Most of the 14 suppliers that were rated with a high-risk score in 2023 did not have certified management systems in place. Quite a few of them were small companies operating in Europe without any subcontractors in risk countries. We have followed up with the suppliers rated as high risk and, after dialogue, written documentation and site visits, were able to conclude that they had good procedures and working conditions in place, meaning that the high-risk score was reduced. We still have three suppliers of the 14 to follow up, either by audit or by other measures.

As a result of the self-assessment, many suppliers have developed internal policy documents and improved their own supplier follow up. As a consequence of a risk assessment in 2022, we have also improved our focus on chemicals as we noticed that this was an area that needed greater attention.

AUDITING IS A TOOL

Audits are done both in the process of onboarding new suppliers or products and in following up with suppliers that scored highly in the risk assessment. In 2023, we carried out 14 audits with our own staff in Europe. We conducted audits in Asia at the beginning of our five-year plan and, in 2023, we followed up with our Asian suppliers by checking if they are engaged in amfori BSCI and thereby audited for working conditions. Our intention is to cooperate more closely with these suppliers on environmental and social issues; amfori BSCI will be one tool we can use.

The main findings from the audits have been deviations in fire safety, lack of steering of subcontractors and management systems. The deviations that were found were all followed up by a CAP (corrective action plan) and, after having accepted the executed actions, we approved the suppliers.

CHANNELS FOR COMPLAINTS

Customers, suppliers and the public may contact us via email info@ajprodukter.se (and other local emails) with any complaints. Our employees can use the AJ whistleblower process while our suppliers can contact us via our purchasers or via NGOs. We have no information about any whistleblower complaints in our supply chain in 2023, and no supplier was terminated due to poor sustainability performance.

EXPANDED REQUIREMENTS

At the moment, we work according to the Norwegian Transparency Act and the German Supply Chain Due Diligence Act by doing due diligence through risk assessments and acting upon any found deviations concerning human rights and environmental protection. In 2023, we started to review the Supplier Code of Conduct to ensure that it is in line with upcoming due diligence and reporting directives. We have also extended our requirements both on company and product level through an updated contract attachment concerning chemicals and new templates for more comprehensive product requirements. In 2024, we will communicate these documents and support our suppliers in a structured manner so they can fulfill the new requirements. The Deforestation Regulation and Ecodesign for Sustainable Products Directive will also have an impact on our supply chain management. We are aware that more data from the supply chain needs to be collected, analysed, stored and shared. This will be a major focus over the next year as well as reviewing our risk management procedures.

OVERVIEW OF GOODS SUPPLIERS OF THE CENTRAL ASSORTMENT

	2023 (2022)	Goal
Total number of suppliers	316 (361)	-
Number of suppliers with signed contracts	187 (178)	90 % of the purchasing volume 2025
Suppliers that have signed AJ Supplier Code of Conduct	180 (166)	100 % 2025
Number of risk assessed suppliers	70 suppliers in 2023. 353 suppliers since 2020.	100 % 2025
Number of suppliers with high level of risk	14 (8)	Decreased
Number of suppliers audited	14	All new suppliers and suppliers with high risk

Suppliers for internal use are not yet included.



Customer health and well-being

We have built a business on the idea of improving people's working environments. We do this with the help of our furniture, interior solutions and equipment - a carefully selected assortment that makes a big difference to health and well-being in many different workplaces.

MAKE IT EASY TO STAY ACTIVE AT WORK

The body is designed to be in motion, and varying your working position frequently is key to a sustainable work life. Reducing sedentary time also reduces the risk of heart and vascular diseases as well as diabetes. So, the best working position is the one you are not currently in. That's why we work hard to spread awareness of the importance of movement at work and to provide products that make it easy to stay active in any type of workplace.

ALTERNATE STANDING AND SITTING

The best combination is to work at an ergonomic sit-stand desk, and to vary between an office or work chair and some kind of 'active seating'. This allows workers to easily change between standing, sitting normally and sitting actively. Perfect for health and well-being.

Standing on an anti-fatigue mat to take the strain off your legs, knees and back is recommended. Then, when you sit down, you need a chair that can be adjusted according to your height and weight and which provides good support for the arms, lower back and legs. The advantage of switching to sitting on a balance stool, balance ball or saddle chair occasionally is that they work the back and torso muscles and provide a better posture, without you even noticing the effort.

PROVIDE VARIETY IN SCHOOLS

Active furniture is also appropriate in schools because it helps children stay focused and gives them an outlet for their excess energy. What's more, activity is good for both the body and mind. Increased blood circulation improves attention and concentration, which means that physical movement improves a student's learning ability.

Our commitment to developing school environments that support learning has also led to us to adapt our school offering to be more inclusive of neurodivergent students. Clearer zones for different activities and individually adapted workplaces are examples of how the classroom design can help neurodivergent students get a better structure to their school day. Best of all, a classroom that supports neurodiversity actually provides a better learning environment for all students.



CASE STUDY: ANDERSBERGSSKOLAN

In the winter of 2023, we supported Andersbergsskolan in Halmstad to create "the perfect classroom". The school wanted to do a full-scale test to see if a flexible interior design makes it easier to adapt the learning environment to the students' needs. The highest priority was to help the students find a peaceful place to study.

Products such as student desks with wheels, low chairs, workstations with height-adjustable desks as well as desk bikes, balance stools, acoustic armchairs, sofas and screens have created walls within the room and led to a better working environment. If the test is successful, all or part of the new furniture will also serve as a guide for the other classrooms at the school.

In 2023 our desk treadmill was relaunched to reach more customers.

The desk treadmill can be used in the office to encourage walking while working.

THE PROBLEM OF NOISE

Few things affect working life as much as disruptive noise. It's not just work that suffers; the increased effort to stay focused may cause strain in the neck and shoulders, as well as headaches.

The same applies in schools, where high noise levels impair the ability of students to concentrate and learn. Teachers are also affected: research shows that when noise levels rise, so do people's heart rate, blood pressure and adrenaline levels. Over time, noise can also lead to tinnitus and hearing loss.



CASE STUDY: FINNVEDEN'S HIGH SCHOOL

After a procurement process, AJ Produkter was commissioned to furnish the newly renovated canteen at Finnvedens's high school. The vision was to create a restaurant feeling in a modern, sustainable and varied environment. The aim was that the dining hall should have good sound insulation and all students should be able to easily find their favorite seat. It was also important to fit a lot of seating into the room without it feeling cramped, as the school has around 1 150 students.

The result was a calm and inviting environment where the furniture, room dividers and sound absorbers all contribute to a pleasant sound environment.

As an example, we have launched Filter, a screen that can be used and easily moved in schools enabling students to concentrate and focus more easily. ZONE and CIRCLES are other acoustic solutions in our assortment that help reduce noise.

HOW PEACE AT WORK CAN IMPROVE APPETITE

Solutions are available in the form of sound-damping products that block and absorb noise and create a peaceful working environment. This involves using acoustic panels and soft materials, such as fabric-covered floor screens and desk screens, carpets, and upholstered furniture including armchairs and sofas. Desks with sound-absorbing desktops, chairs with skid bases and bookshelves for open storage also contribute to a better sound environment in schools.

Furthermore, studies show that the senses of hearing and taste are connected. It's simply more difficult to taste food properly in noisy environments. Both students and staff need their lunch break to recover and recharge, school canteens must offer an appetising sound level.

ERGONOMIC LIFTING AND HANDLING

Lifting and carrying heavy loads are common tasks in many workplaces. Lifting aids and handling equipment can prevent strain on the body. It is not enough just to provide pallet trucks, lifting tables or trolleys though. To avoid injuries, everyone must know how to use the products and there must be time to use them in a safe and ergonomically correct way.

CUSTOMISED FOR INDUSTRY

Pain from strain-related problems as a result of monotonous, repetitive work leads to many sick days in the industrial sector. The right furniture and equipment can increase the likelihood of more productive days. With a workbench that can be raised and lowered, the working height can be adjusted according to individual needs. For prolonged standing work, is recommended that this is coupled with an anti-fatigue mat to prevent strain on the body.

A good work chair has an ergonomically designed back and seat that provides support and relief for both the lumbar and thigh areas. It also has an adjustable seat angle, so that the sitting position can be adjusted as needed. A mobile stool, on the other hand, relieves strain on the back, knees and ankles caused by working positions such as squatting or kneeling.

ROBUST and SOLID workbenches are examples of products that help employees to have all necessary equipment close at hand and at a convenient height thanks to adjustable bench height. One new product that was launched in 2023 is a shelf with an adjustable arm where a tablet or computer can be positioned as well as a similar solution for work tools. A new high lift pallet truck helps with heavy loading.

INSIGHTS AND INFORMATION

We make an active effort to gather knowledge about life in different workplaces, while following trends and news. We share this knowledge on our website to help customers create a better and healthier working environment.



Social engagement



CAMPAIGN

Have a better workday

"Sometimes it's difficult to get through to others at work. Here at AJ Produkter we can't solve all your problems at work, but we are here to help you design a better workplace."

Support for those who need it most

"Nobody can do everything but everyone can do something." When we look at the world around us, we often realise how well off we are. We also realise that we can and want to contribute to others having a better life. That knowledge is the foundation of our social commitment, which is primarily focused on helping children.

YENNENGA PROGRESS RECOGNISED FOR EXCELLENCE

Yennenga Progress is a Swedish non-profit organisation that actively works toward community building by developing the concept of 'The Good Village'. What started with a preschool in Burkina Faso in 2001, is now a structure for welfare communities in micro format that can be used in multiple locations. The focus of its work is on education, health and infrastructure from a local perspective. It also works with entrepreneurship and organisation to help communities function and be able to develop to become self-sufficient.

The former preschool in the village of Nakamtenga now takes students up to high school level. AJ Produkter has supported the project since 2012, through efforts including contributing furniture for all classrooms in the school as well as the administrative premises. We have also been responsible for the principal's salary for several years. Education gives young people the power to change and a functioning school environment is a prerequisite for that.



This year the Yennenga school was chosen as a municipal examination school and also received an award from the municipality for its excellent results. Yennenga bases its operation on the UN global goals and this is put into action by arranging themed days such as litter picking days, a menstruation party for the slightly older girls and a day of wearing traditional clothes to strengthen the children's identity and pride in their own culture, among others. It also has a school garden that provides fruit and vegetables directly to the school kitchen.

CONTRIBUTING WHERE IT'S NEEDED

At the end of the year we also had the opportunity to financially support UNHCR and the Red Cross. This will contribute to the severe situation in Gaza and Ukraine among other challenging areas in the world.

We also annually support:

- Generation Pep - promotes an active and healthy life for children and young people.
- BRIS Sweden (Children's rights in society) - campaigns for a better childhood by standing up for children's rights and making children's voices heard.
- Aktiv Skola (Active schools) - contributes to better schools by focusing on drugs, grooming, health, the environment and bullying.
- Ståda Sverige (Clean up Sweden) - creates environmental projects through which young athletes are paid for picking up litter in their local area.



CAMPAIGN

We must talk about this

"Here at AJ Products we focus on things that aren't always obvious. Take bad sitting positions for example. They can quickly take their toll on your staff - quite unnecessarily. It's lucky then that we have a range of ergonomically correct furniture."

Auditor's comments

AUDITOR'S STATEMENT REGARDING THE STATUTORY SUSTAINABILITY REPORT

For the Annual General Meeting of AJ Produkter AB, org. no. (Sweden) 556190-7329

ASSIGNMENT AND DIVISION OF RESPONSIBILITIES

The Board of Directors is responsible for preparing the Sustainability Report for 2023 and for ensuring that it has been prepared in compliance with the Swedish Annual Accounts Act.

FOCUS AND SCOPE OF THE AUDIT

Our audit has been conducted in accordance with FAR's auditing standard RevR 12. Auditor's statement regarding the statutory sustainability report. This means that our review of the Sustainability Report has a different aim and is of significantly smaller scope than the aim and scope of an audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that this audit provides sufficient grounds for our statement.

STATEMENT

A sustainability report has been prepared.

Halmstad, 24th May 2024
Ernst & Young AB

Henrik Nilsson
Authorised public accountant



Happiness at work™